

AGENDA ITEM #4B

Mr. Phil Isenberg, Chair
Delta Stewardship Council
980 9th Street, Suite 1500
Sacramento, California 95814

Dear Chair Isenberg,

The Delta Protection Commission (Commission) is submitting to the Delta Stewardship Council (DSC) the Third Draft of the Economic Sustainability Plan (ESP) of the Sacramento-San Joaquin Delta, in accordance with the provisions of the Delta Reform Act of 2009 (Act). This Draft is essentially the final version of the ESP, except as may be amended upon conclusion of the peer review process currently underway. Any amendments to this Draft will be in December, 2011.

Public Resource Code 29759 requires the Commission to prepare an ESP to inform the DSC regarding the socioeconomic sustainability of the Delta region. Specifically, the plan includes: public safety recommendations regarding flood protection; economic goals and policies and objectives in local general plans; recommendations on continued socio-economic sustainability of agriculture and its infrastructure, and legacy communities in the Delta; recommendations to the Department of Water Resources (DWR) concerning its flood management plan for the Delta; and identification of ways to encourage recreational investment along the key river corridors. Section 85301 of the Public Resource Code further states that the ESP shall develop a proposal to protect, enhance, and sustain the unique cultural, historical, recreational, agricultural, and economic values of the Delta as an evolving place, in a manner consistent with the co-equal goals; include a proposal to designate the Delta as a National Heritage Area; and include in the proposal a regional economic plan to support increased investment in agriculture, recreation, tourism and other durable land uses in the Delta.

The Delta Reform Act codified the co-equal goals of water reliability and habitat restoration, and Public Resource Code 85020 states that it is inherent in the co-equal goals for management of the Delta to protect and enhance the unique cultural, recreational, and agricultural values of the California Delta as an evolving place. The Act did not define water reliability or the Delta as an evolving place. Therefore, it is important to recognize that water reliability for California includes water reliability for the Delta users.

The ESP defines the economic output of the Delta and evaluates the socio-economic sustainability of the Delta region with respect to the co-equal goals; *and* protecting and enhancing the unique cultural, recreational, and agricultural values of the California Delta. This is consistent with the proposed performance measures in Chapter 8 of Draft 5 of the DSC's Delta Plan which states the measurement of economic sustainability of agriculture is maintaining or increasing gross revenues and increasing acreage devoted to agriculture. Similarly, the measure for recreation and tourism is maintaining or increasing gross revenues from these sectors.

The Bay Delta Conservation Plan (BDGP) proposals for the Delta, from the December 2010 draft, are evaluated for impact on the socio-economic sustainability of the Delta. These proposals show how proposed projects would affect the economic output of the Delta and should be viewed as illustrative and not limited to the proposals of the December 2010 draft.

Several findings significant to the continued economic sustainability of the Delta:

1. **Water Reliability and Water Quality:** The Delta economy is dependent on the availability of water and the continued ability to divert water within the Delta. Water quality is important for agriculture, recreation, habitat and municipalities that draw water from the Delta. Increasing salinity levels, whether through changes to standards, operations of export facilities, or habitat development—will harm Delta agricultural production, recreation and tourism, and increase the cost to municipalities which depend on the Delta for drinking water.
2. **Levees:** Much of the discussion about Delta levees relies on a historical depiction of Delta levees without consideration of the work that has been done, and is ongoing by local agencies to improve Delta levees; nor is there consideration of the considerable state and interstate infrastructure and urban areas that are protected by Delta levees. This understates the condition of the levees and overstates the costs for continued improvement and skews the discussion of a cost benefits analysis.
3. **Legacy Communities:** The continued survival of legacy communities is impacted by the multiple tiers of regulations regarding land use and flood protection. This has created a climate of uncertainty and is a disincentive for private investment. Local governments, which are charged with providing essential services to these communities, find it increasingly difficult to maintain services without commensurate increase in tax base from new businesses and new development within existing community boundaries.
4. **Recreation and Agritourism:** Some literature has suggested that revenue from recreation and agritourism can replace any loss of existing agriculture output. Both recreation and agritourism can add to the economic output of the Delta, but not at the magnitude to replace agriculture. Recreation is predominately water based; any expansion of the recreation sector needs infrastructure improvement and new infrastructure—confronting the same hurdles as legacy communities.
5. **Habitat Expansion and Mitigation:** Mitigation is often proposed to offset for habitat expansion. But, mitigation is one time in the case of a land transaction, and fails to take into account the ongoing loss of economic activity from those employed and living in the area. Local government is often promised in-lieu payments to account for the loss of property tax, but these payments are illusive and unreliable. Moreover, in-lieu payments do not compensate for the total economic impacts removing land from agriculture.
6. **Reduced Regulations:** Regulations should be streamlined, and in particular FEMA regulations should be modified to permit non residential structures such as wineries and other crop processing facilities necessary to support and sustain agriculture.
7. **Covered Actions:** Proposed covered actions that further restrict levee improvements and land use, and do not recognize the obligation of Counties to meet state imposed requirements in general plans, impede, if not make unattainable, economic sustainability for the Delta region. The Delta cannot be used as a place holder to correct conditions created by those who have benefited from its abuse. The detriment to water reliability, habitat, and water quality are obligations to those who cause the problem. Trying to maintain water contracts that exceed the water defined for export by Water Code Sections 12200-12205, continues to stress the Delta. It also causes focus on the Delta to redress the harm done, which not only impacts the economy of the region but also the

State. By the DSC's own definition of what the performance metrics should be for sustainability of agriculture, tourism and recreation, one area should not suffer economic decline in order to benefit another. The Sacramento-San Joaquin Delta Reform Act of 2009 cannot be properly interpreted or implemented to allow harm to the future prosperity of the Delta.

The ESP discusses consistencies between the sustainability of the socio-economic fabric of the Delta and the co-equal goals. With respect to habitat restoration and expansion, there are opportunities to partner with agriculture to conduct habitat friendly cultural practices. It illustrates the point that how water reliability is defined can impact the economic output of the Delta. Proposals for improving recreation and sustaining Legacy Communities are a challenge with existing tiers of regulations and even more so with proposals for additional regulations.

In presenting the ESP to the Council, the Commission hopes to add another perspective to the discussion. The Economic Sustainability Plan is being forwarded to the Delta Stewardship Council in compliance with the Delta Reform Act 2009 and requests inclusion into the Delta Plan.

Sincerely,

Don Nottoli
Chair